

PART III. THE PRESENT ARRANGEMENTS FOR THE SUPPLY OF FERTILISERS

CHAPTER 7. THE SUPPLY OF NITROGENOUS FERTILISERS (Class (a))

(1) Ammonium Sulphate

251. Total sales in the home market of ammonium sulphate for fertiliser purposes in the years 1956-57 and 1957-58 have been as follows:—

						'000 tons	
						1956-57	1957-58
I.C.I.	...	...	...	...	...	520	475
Other B.S.A.F. members	...	...	...	...	...	264	245
						<hr/>	<hr/>
Total B.S.A.F.	...	...	...	...	...	784	720
Other producers	...	...	...	...	...	61	64
						<hr/>	<hr/>
Total	...	...	...	...	...	845	784
						<hr/>	<hr/>

NOTE.—So far as parent and subsidiary companies are concerned, the figures represent sales by the group to third parties.

The British Sulphate of Ammonia Federation Ltd.

252. Production of ammonium sulphate (including production for export) by the members of the B.S.A.F. in the years 1956-57 and 1957-58 was as follows :

						'000 tons	
						1956-57	1957-58
I.C.I.—Billingham	...	...	...	...	...	471	491
Prudhoe	...	...	...	...	...	312	321
						<hr/>	<hr/>
						783	812
By-product producers	...	...	...	...	...	314	316
						<hr/>	<hr/>
Total	...	...	...	...	...	1,097	1,128
						<hr/>	<hr/>

A greater proportion of by-product sulphate than of I.C.I.'s sulphate is supplied in the home market, because I.C.I. uses a considerable tonnage of its own sulphate in the manufacture of compounds. Approximately 80 per cent. of the sulphate supplied to the home market by B.S.A.F. goes to compounders and the rest for straight use.

Terms to agents and merchants

253. The published prices of ammonium sulphate are the farmers' buying prices although I.C.I. as selling agent for the B.S.A.F. does not sell direct to farmers. I.C.I. sells to agricultural merchants, who resell to farmers at the published prices on a commission basis. I.C.I. distinguishes between its "agents" and other merchants, the former being allowed slightly better terms and undertaking greater obligations. Sales to some co-operative

societies are invoiced to the Co-operative Wholesale Society Ltd., which is allowed agent's terms.

254. I.C.I.'s agents are bound by their agreements to carry stocks of ammonium sulphate and for the services they render are given a commission (see below), and also a cartage allowance to assist them in transferring material from their railway stations to their stocking points. Merchants who do not hold I.C.I. fertiliser agencies are under no obligation to carry stocks and do not receive a cartage allowance. Cash discounts are allowed to agents for prompt payment. Until the commencement of the 1958-59 season merchants were allowed a smaller commission than agents, but now the amount is the same. For many years I.C.I. agents undertook under their agreements not to sell at gross prices other than those authorised by I.C.I., though they were regarded as free, if they wished, to give discounts, rebates and other allowances to their customers in the form of deductions from the invoiced gross price. Merchants have not given such an undertaking in recent years and the requirement has now been dropped as regards agents also.

255. I.C.I.'s conditions of sale for supplies in the home market formerly included a clause providing that the buyer should not export, or sell for export in any form, the fertilisers which he purchased from the company. This clause has not been included in the 1958-59 conditions of sale.

256. Differential seasonal prices are charged in order to encourage buyers to take delivery in advance of the main consuming season of March and April, so spreading demand over the year. These variations from the spring price are called "early delivery rebates", though they are in fact incorporated in the published monthly prices. The lowest basic price is in July; monthly additions are made from August until March, when the maximum is reached and maintained until June. In recent years prices have generally been fixed on the basis of a difference of 20s. between the highest and lowest seasonal price.* In 1958-59 the spring price was £21 8s. 0d. per ton. Prices are for delivery to the farmer's nearest station on the mainland of England, Wales and Scotland for minimum 6-ton lots in bags for prompt cash. Extras are charged for smaller lots, for delivery to farm and for credit.

257. The rates of commission allowed by I.C.I. in 1958-59 are:

England and Wales: Agents and Merchants—16s. per ton.

Scotland: S.A.I.—16s. per ton, plus an allowance of 5s. 6d. per ton on all sulphate acquired, whether for S.A.I.'s own use in compounding or for re-sale.

All sales in Scotland are made through S.A.I., which resells to other merchants and compounders, and also, through its own merchanting system, to farmers. The extra allowance to S.A.I. is thus on account of services in Scotland of a kind that I.C.I. itself undertakes in England and Wales.

258. In Northern Ireland sales are made to importers on a free on quay basis at Belfast or Londonderry in minimum 6-ton lots at prices which are the same as the net prices (including delivery to the nearest station) charged in England and Wales to mixers (see paragraphs 259 and 260). The delivered prices to farmers are obtained by adding port handling charges,

* The prices announced for 1959-60 are on the basis of a difference of 28s.

importers' commissions and inland carriage costs to these prices. (In Northern Ireland the Government subsidy was deducted at the point of import until the end of 1955-56 : thereafter it has not been deducted but is claimed by farmers as in England, Wales and Scotland.)

Terms to mixers

259. From the termination in 1939 of I.C.I.'s agreement with the F.M.A. (see paragraph 62), throughout the war, and until 30th June, 1953, the basis of quotation for ammonium sulphate for mixing was the farmer's spring price less certain allowances. In 1952-53 members of the F.M.A. were receiving agent's commission of 15s. per ton, plus a deferred mixing rebate of 10s. per ton plus, if delivery was taken in bulk, a further allowance of 17s. 6d. per ton. In the following year instead of the deferred rebate a mixing discount was given at the time of invoicing and was on a monthly basis ; it started at 10s. in July reducing by monthly steps from January to March to nil in April, May and June. These terms remained unchanged in 1954-55. Up to this point I.C.I.'s prices were still subject to a form of control, and I.C.I. says that these alterations in terms were discussed and agreed with the appropriate Government Departments.

260. In 1955-56 the form of differential between mixers and other buyers was changed by abolishing the discounts, as such, and introducing two additional basic price lists, for supplying to mixers (1) in bags, and (2) in bulk. Since then the relations of the prices in these lists to one another, and to the prices in the farmer's list, have been changed from time to time, the effects on the mixer's position in 1957-58 and 1958-59 being :

- (i) He still, in effect, receives agent's commission, increased from 15s. to 16s.
- (ii) The allowance to mixers as such, (apart from that for bulk buying), starts at 3s. 6d. instead of 10s. reducing to nil in the spring (subject to (iv) below).
- (iii) The allowance for bulk purchase was reduced from 17s. 6d. to 15s. in 1955-56, but restored to 17s. 6d. in 1957-58 and 1958-59.
- (iv) The mixer's year, for the purpose of the price lists, has been altered to commence in June while for the purpose of the farmer's list it still commences in July ; thus for one month, June, the difference between the mixer's and the farmer's price is much greater than at any other time.

The development of the differentials between mixers' and farmers' net prices is shown in Appendix 4.

261. Mixers' prices are for delivery to the nearest station on the mainland of England, Wales and Scotland for minimum 6-ton lots. Payment is due at the end of the second month after the month of despatch. A cash discount of 3d. in the £ is allowed for payment by the 14th of the month following month of despatch. Overdue accounts are liable for an interest charge ; since 1st July, 1958, this has been at the rate of 2 per cent. above the Bank Rate in force on the date payment is due. In Northern Ireland deliveries were in bags only until 1957-58, since when bulk deliveries are being made

free on quay at Lisahally. Mixers, like agents and merchants, were formerly debarred from exporting in any form ammonium sulphate purchased from the company as selling agents for the B.S.A.F., but this requirement has not been made a condition of sale for the 1958-59 season.

262. During the war, terms of sale for ammonium sulphate were communicated annually to the F.M.A. by letter. This practice was discontinued on 30th June, 1956, when the Raw Materials Committee of the F.M.A., the body with which I.C.I. negotiated, was disbanded. Sales of ammonium sulphate for compounding are now made by direct negotiation, at standard prices, between I.C.I., as agent for the B.S.A.F., and individual compounders. The compounders do not contract to buy specified tonnages over a period but give estimates of their monthly requirements, as described in paragraph 263. They are under no obligation to take delivery of these estimated tonnages.

Distribution and transport

263. The transport, storage and distribution of ammonium sulphate produced by the members of the B.S.A.F. is a considerable undertaking because of the magnitude of the tonnages involved, the seasonal nature of the demand from farmers (and to a lesser extent from mixers), the location of works in relation to areas of consumption and the maintenance of continuous production. At the beginning of each fertiliser year compound fertiliser manufacturers send I.C.I. estimates of their monthly requirements of ammonium sulphate for the coming year. Each month also the B.S.A.F. producers send I.C.I. estimates of their production for the following four weeks, and in addition they provide four-monthly estimates of production each February, June and October. In the light of these estimates of requirements and production the compounders' orders are allocated by I.C.I. between the producers, account being taken of such factors as the availability of supplies, the need to clear the output of by-product producers as quickly as possible and the most economical method of transport. The Billingham Division deals directly with most of the producers and with the larger compounders. The company's Area Sales Offices are the link with the smaller customers, and they also arrange the distribution of the output of some of the by-product works in liaison with the Billingham distribution department. In Scotland, S.A.I. arranges for the distribution of the production of the Scottish by-product works.

264. Ammonium sulphate for straight use is despatched in bags and transported to the customers mainly by rail. Occasionally consignments are sent by sea from Billingham and Prudhoe to outlying stores. Sulphate for mixing is despatched in bulk or in bags, depending upon the customer's preference; generally speaking, only small mixers take delivery in bags. From Billingham and Prudhoe considerable quantities of bulk material are sent to customers by sea in coastwise vessels or barges; otherwise the usual means of transport is by rail. Coasters are chartered through I.C.I.'s shipping organisation. A certain amount of material is collected in customers' lorries from outlying stores and, to a much smaller extent, from the producing works; in such cases a collection allowance is made to the customer.

Nitrogen Fertilisers Ltd.

265. Nitrogen Fertilisers Ltd., a company set up by Fisons and West Norfolk Farmers' Manure and Chemical Co-operative Co. Ltd. in 1937 (see paragraph 196), is the only producer in the United Kingdom of synthetic ammonium sulphate, other than I.C.I. The company sells the whole of its output to the two proprietor companies in the proportion of about 75 per cent. to Fisons and 25 per cent. to West Norfolk Farmers. In recent years sales to these companies have amounted to over 50,000 tons per annum. Fisons and West Norfolk Farmers consume most of this sulphate in their compounding works; in so far as they resell it, their selling prices and terms are the same as for B.S.A.F. sulphate, which both of them also merchant.

Other producers

266. The output of the by-product producers of ammonium sulphate who are not members of the B.S.A.F. is not large. The Phoenix Works of the South Eastern Gas Board is the largest supplier and its sales, which are in the region of 25,000 tons per annum, have amounted in recent years to more than half the total sales of this group. The Board sells through two agents to farmers in the south and east of England. The remaining producers sell almost entirely to compounders, either directly or through agents. All these producers sell at approximately the same prices as the B.S.A.F.

(2) Ammonium Nitrate

267. Ammonium nitrate is made by I.C.I. and is used in the production of Nitro-Chalk. Apart from small quantities sold in recent years to other manufacturers for experimental purposes it has not been regularly supplied for fertiliser purposes; in 1957 the quantity supplied by I.C.I. to other fertiliser manufacturers for use in their compounds was about 3,000 tons. Fisons has not purchased or supplied ammonium nitrate in the past but is now commencing to make it at Stanford-le-Hope. The company intends to use the nitrate for making concentrated compounds at its other factories. Shell Chemical Co. Ltd., also, has recently begun production of ammonium nitrate at a factory adjacent to Fisons' nitrate plant; its own output of this material will be used in the production of Nitra-Shell (see paragraph 269 below), but it will also supply ammonia and some nitric acid to Fisons which the latter will use to produce ammonium nitrate for its own purposes.

(3) Nitro-Chalk

268. Nitro-Chalk is a proprietary product manufactured solely by I.C.I. at Billingham and Heysham. Sales of Nitro-Chalk in the home market in 1956-57 and 1957-58 were as follows:

'000 tons	
1956-57	1957-58
433	440

The production figures for these years were as follows:

						'000 tons	
						1956-57	1957-58
Billingham	...	...	...	...	...	275	275
Heysham	...	...	...	...	...	191	190
						<hr/>	<hr/>
						466	465
						<hr/>	<hr/>

269. Nitro-Chalk is now made in two strengths, 15.5 per cent. N and 21 per cent. N, but production of the more concentrated form only began in December, 1958. Until recently no other company was supplying a comparable product in the United Kingdom, but since 1957 a similar product with a nitrogen content of 20.5 per cent. has been imported by Shell Chemical Co. Ltd. and marketed under the proprietary name of Nitra-Shell. Substantial quantities of this were sold in the United Kingdom in 1957-58. More recently the company has marketed Nitra-Shell with a nitrogen content of 23 per cent. Nitra-Shell is not covered by our terms of reference. As mentioned in paragraph 267, Shell Chemical Co. Ltd. is commencing the manufacture of Nitra-Shell in the United Kingdom; the planned output is 60,000 tons per annum.

270. The published prices of Nitro-Chalk in Great Britain are the farmer's buying prices. The price for 1958-59 is £18 10s. 0d. per ton. As in the case of ammonium sulphate I.C.I. does not sell to farmers direct but only through agents and merchants. The rates of commission in 1958-59 are:

England and Wales: Agents—17s. 6d. per ton.

Merchants—15s. per ton.

Scotland:

S.A.I.—22s. 6d. per ton.

No early delivery rebate or equivalent reduction of prices is offered to farmers because prolonged farm storage is not generally recommended. An agent's warehousing scheme is operated under which payments are made to agents to store Nitro-Chalk before the main consuming season. Prices quoted are for delivery on the same conditions as apply to ammonium sulphate for straight use. Agents, but not merchants, are bound by agreements to carry stocks of Nitro-Chalk and receive cartage allowances for transporting the material from the station of delivery to their stocking points. In Scotland, Nitro-Chalk is marketed by S.A.I. which sells to other merchants and also direct to farmers; as in the case of ammonium sulphate (see paragraph 257), the additional commission is in consideration of these services. Merchants in Scotland receive an allowance of 17s. 6d. per ton from S.A.I. In Northern Ireland distribution is undertaken by the importers, the price delivered free on quay at Belfast or Londonderry being the same as the net delivered price (to nearest station) to I.C.I. agents in England and Wales, and the delivered prices to the farmer being obtained by adding port handling charges, importers' commissions, and inland carriage costs. Since Nitro-Chalk is not used for compounding, there is no question, in this case, of a mixer's price.

271. The functions of the I.C.I. Area Sales Offices in the distribution of Nitro-Chalk are similar to those they perform in the distribution of

ammonium sulphate for straight use. Deliveries are mainly by rail, although customers can collect material in their own lorries from the producing works and from stores. In each case where the customer collects, an allowance is given. Coastwise shipments are occasionally made.

(4) Sodium Nitrate

272. The following table shows the sales in the United Kingdom of Chilean sodium nitrate for fertiliser purposes by the Nitrate Corporation of Chile Ltd. in the years 1956-57 and 1957-58 :

					<i>Tons</i>	<i>Net Sales Value</i>
1956-57	...	...	...	...	9,000	£233,515
1957-58	...	...	...	...	8,308	£220,467

Almost all the Corporation's fertiliser sales are to agricultural merchants. A very small part of its business is with nurseries and the horticultural trade. Fisons uses a little sodium nitrate in compounding.

CHAPTER 8. THE SUPPLY OF POTASH FERTILISERS (Class (b))

273. Sales of imported potash* in recent years have been as follows :

<i>Year</i>		<i>West Europe</i>	<i>Other Sources</i>	<i>Total</i>
1956-57	... ..	473,232	93,471	566,703
1957-58	... ..	458,558	133,566	592,124

(1) Potash Limited

274. Potash Ltd. is the sole supplier in the United Kingdom market of potash from France, Western Germany and Spain. In recent years the company has generally supplied about 80 per cent. of all the potash supplied in the United Kingdom as fertiliser or for use in the production of fertilisers.

275. During the last few years Potash Ltd.'s requirements of potash for sale in the United Kingdom have been met approximately in the proportion of 50 per cent. from France, 40 per cent. from Western Germany and 10 per cent. from Spain, though there are variations from year to year. Shipment is made from Antwerp, Rouen, Hamburg, Bremen and Barcelona to about 60 ports in the United Kingdom ; Potash Ltd. has no depots. Chartered boats are used, carrying from 250 to 5,000 tons or, in certain cases, consignments are sent by regular liners. Consignments taken by customers vary from complete cargoes to 6-ton lots and shipment is made to the customer's nearest port. About four-fifths of the muriate of potash imported by Potash Ltd. arrives in bulk. The rest of the muriate and all the sulphate of potash is shipped in jute or paper bags.

Distribution

276. Potash Ltd. sells to about 130 customers in the United Kingdom consisting of manufacturers of compounds, agricultural merchants and farmers' co-operatives. No sales are made direct to farmers. Fisons is the company's largest customer ; in 1957-58 its annual purchases represented about 40 per cent. of Potash Ltd.'s total sales for fertiliser purposes, which in that year amounted to 458,558 tons of material. Sales to I.C.I. (with S.A.I.) accounted for about 18 per cent. of the total.

* Excluding sales from Board of Trade stocks.